

Message Text

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SUBJ: BRAZILIAN VIEWS ON TARIFFS AND RELATION TO US/BRAZILIAN
CONSULTATIVE GROUP

REF: STATE 218066

SUMMARY. BRAZILIAN DELEGATION (BARTEL ROSA) INDICATED THAT BRAZIL SERIOUSLY THINKING ABOUT PROPOSING THAT SOME LDC'S ARE PREPARED TO PAY FOR GSP CONCESSIONS OBTAINED IN MTN. MTN DEL CONCERNED ABOUT CONSEQUENCES IF SUCH A PROPOSAL IS MADE IN OCT TARIFFS MEETING GIVEN PROPENSITY OF THE EC AND OTHER DELEGATIONS TO RESPOND TO TROPICAL PRODUCT REQUESTS WITH GSP IMPROVEMENTS. MTN DEL THEREFORE HOPES THAT BILATERAL CONSULTATIONS WILL BE SCHEDULED PRIOR TO OCT 13 TARIFFS MEETING PER REFTEL, AT WHICH TIME US WOULD STRESS OBJECTION TO ANY SUCH PROPOSAL. END SUMMARY

1. IN A GENERAL DISCUSSION OF LDC PROPOSALS IN THE TARIFFS GROUP BRAZIL NOTED THE NEGATIVE REACTION BY MOST DEVELOPED COUNTRIES TO PROPOSALS INVOLVING THE BINDING OF GSP OR A SPECIAL SCHEDULE OF PREFERENTIAL CONCESSIONS IN FAVOR OF LDC'S. IT RECOGNIZED THAT ONE OF THE PRINCIPAL OBJECTIONS ARTICULATED BY DC'S WAS CONCERN THAT PREFERENTIAL CONCESSIONS COULD NOT BE BOUND OVER TIME TO ALL LDC'S SINCE LDC STATUS TO DATE WAS REALLY A MATTER OF SELF-DECLARATION. TAKING THIS INTO ACCOUNT THEY CONVEYED THE FOLLOWING PROPOSAL WHICH WAS BASED ON THE RECOGNITION THAT CONCESSIONS ON ITEMS OF INTEREST TO BRAZIL COULD NOT BE GRANTED IN MANY CASES BE-
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CAUSE A DEVELOPED COUNTRY WOULD HAVE TO OPEN ITS MARKETS TO OTHER

DEVELOPED COUNTRIES UNDER MFN. BY IMPLICATION BRAZIL WOULD ALSO BENEFIT FROM PREFERENTIAL ACCESS.

2. THEY PROPOSED THAT IN THESE INSTANCES DEVELOPED COUNTRIES GRANT GSP CONCESSIONS TO BRAZIL FOR WHICH IT WOULD RECIPROCATATE. IN BOTH CASES THE CONCESSIONS WOULD NOT BE BOUND IN THE TRADITIONAL SENSE. THE WITHDRAWAL OF ONE WOULD RESULT IN THE WITHDRAWAL OF THE OTHER. THUS COMPENSATION WOULD NOT BE AN ISSUE.

3. MTN DEL REPLIED THAT THIS EXPLANATION CLARIFIED GENERAL STATEMENTS BRAZIL HAD MADE IN TARIFFS GROUP AND INDICATED THAT US HAD SIGNIFICANT PROBLEMS WITH IDEA OF NEGOTIATED GSP CONCESSIONS.

4. GIVEN THE POSITION OF THE EC AND NORDIC COUNTRIES IN THE TROPICAL PRODUCTS GROUP, AND THE FACT THAT THE JAPANESE ARE SERIOUSLY CONSIDERING GSP RESPONSES IN THE TROPICAL PRODUCTS GROUP, THIS PROPOSAL WHICH WOULD PERMIT RECIPROCITY FOR GSP CONCESSIONS IS VIEWED WITH GREAT DEAL CONCERN BY THE MTN DEL. IT IS CLEAR THAT THE EC AND OTHERS ARE ADOPTING THE EASIEST ROUTE IN THE TROPICAL PRODUCTS GROUP, AND DO NOT EXPECT COMPENSATION. IF HOWEVER THE INCENTIVE OF RECIPROCITY IS ADDED FOR POSSIBLE GSP CONCESSIONS ON ALL PRODUCTS, THEY AND OTHERS MAY RESPOND ON THE BASIS OF GSP MORE WIDELY. MTN DEL HOPES THIS PROPOSAL CAN BE DERAILED BEFORE THE OCT TARIFFS MEETING. IN ANY EVENT US SHOULD BE PREPARED TO RESPOND IN TARIFFS GROUP IF PROPOSALS MADE. DEVELOPMENT OF US POSITION WILL PRESUMABLY HAVE TO TAKE INTO ACCOUNT US ACCEPTANCE OF THE LANGUAGE ON GSP IN TRADE SECTION OF THE REPORT OF THE AD HOC COMMITTEE IN THE SEVENTH SPECIAL SESSIONS WHICH STRESSED THAT SCHEMES SHOULD NOT TERMINATE AT END OF TEN YEARS ORIGINALLY ENVISIONED AND THAT IT SHOULD BE CONTINUOUSLY IMPROVED THROUGH WIDER COVERAGE.

5. BRAZILIANS ALSO BROACHED IDEA THAT DC'S GRANT, ON A TEMPORARY BASIS, GSP ON ITEMS OF INTEREST TO THE LDC'S ON WHICH MFN CUTS ARE MADE IN THE NEGOTIATION. THEY SAW THIS AS A TYPE OF ADVANCE IMPLEMENTATION WHEREBY THE GSP WOULD DISAPPEAR AS THE MFN STAGING PROGRESSED. US DEL POINTED OUT THAT ZERO RATES IN US GSP WOULD MAKE THIS TYPE OF CONCESSION DIFFICULT. BRAZILIANS THEN SAID THEY WERE THINKING MORE IN TERMS OF THE EC AND OTHER DC'S AND WOULD LIKE TO SEE THIS IDEA ACCEPTED AS A PROCEDURE THAT DC'S CONFIDENTIAL

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COULD APPLY WHERE APPLICABLE.

6. IF GSP CONCESSIONS ARE GRANTED BY OTHER DC'S, AS CAN BE EXPECTED, ON COMMONLY ACCEPTED TROPICAL PRODUCTS THERE WILL BE LIMITED DAMAGE TO US COMMERCIAL INTERESTS. IF HOWEVER COMPENSATED GSP CONCESSIONS ARE POSSIBLE ON THE OTHER PRODUCTS ON TROPICAL PRODUCT LISTS, NOT TO MENTION OTHER PRODUCTS OF INTEREST TO LEADING LDC'S, US COMMERCIAL INTERESTS CAN BE DAMAGED SIGNIFICANTLY.

7. ACCEPTANCE OF BRAZILIAN PROPOSAL WOULD BE MAJOR STEP TOWARD ADDITIONAL EROSION OF ALREADY SHAKEY MFN PRINCIPLE. ASIDE FROM OBVIOUS CONFLICTS WITH GATT ARTICLES I (DISCRIMINATORY), II (BINDING), XVII AND XXVIII (MODIFYING CONCESSIONS), BRAZILIAN PROPOSAL COULD ALSO SET FOCUS OF MTN EFFORTS TO HELP LDC'S ALMOST ENTIRELY ON GSP IMPROVEMENT WHICH WOULD REDUCE CONSIDERABLY US NEGOTIATING MANEUVERABILITY AND SCOPE OF GENERAL MFN REDUCTIONS AT THE END OF DAY.

8. TO THE EXTENT THAT IT INCREASES ATTRACTIVENESS OF UNBOUND, UNDISCIPLINED CONCESSIONS, BRAZILIAN PROPOSAL ALSO REDUCES INCENTIVE FOR LDC'S TO JOIN GATT AND ASSUME LARGER BODY OF OBLIGATIONS. IT WOULD ADDITIONALLY COMPLICATE ISSUE OF GSP BURDEN SHARING AMONG DONOR COUNTRIES WHICH WAS CONTENTIOUS POINT AMONG DC'S DURING SEVERAL YEARS OF NEGOTIATION. MOREOVER, IF BRAZILIANS ANTICIPATE RECIPROCAL CONCESSIONS ON NON-MFN BASIS, THIS WOULD BEGIN RETURN TO USE OF REVERSE PREFERENCES WHICH US HAS SOUGHT TO DISCOURAGE. IT IS ALSO QUESTIONABLE WHETHER BRAZILIAN PROPOSAL WOULD BE FEASIBLE FOR MANY LDC'S WHO WOULD HAVE DIFFICULTY GENERATING CREDIBLE RECIPROCAL CONCESSIONS ON ITEM-BY-ITEM BASIS.CULBERT

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